

CLEARLIGHT INVESTMENTS PTY LTD

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Professor David Boymal
Chairman
Australian Accounting Standards Board
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28 August 2007

Dear Professor Boymal

Re: Differential Reporting

I am writing in response to the Board's Invitation to Comment on the proposed Differential Reporting Arrangements in Australia.

Clearlight Investments Pty Ltd is the main holding company for a closely-held family group whose businesses include manufacture and wholesale distribution of food products and property and investment activity. As a family group we observed with keen interest the recent discussion surrounding the Simpler Regulatory System Bill and were very relieved that the grandfathering exemption from public filing of our financial report was retained.

Our audited annual accounts have been prepared in recent years as Special Purpose Financial Reports, as our directors believe that the legitimate users of our accounts have been able to obtain sufficient information from this format or have the ability to require us to provide such additional information as they may need.

AASB's proposal is now that an entity's financial report should be regarded as a general purpose financial report if it is required by the Corporations Act to be prepared in accordance with Australian Accounting Standards, even if the entity is exempt from filing its report with the ASIC. I understand the argument runs that our financial report can only present a true and fair view as required by the Corporations Act if it complies fully with Accounting Standards. That is, all recognition, measurement, presentation and disclosure provisions of all accounting standards.

We believe this will require us to prepare a very substantial amount of information in our financial report for no useful purpose.

We accept that it is appropriate to apply recognition and measurement criteria. While Corporations Act section 254T demands that dividends are paid only from "profits" it is necessary and appropriate that "profits" be determined in accordance with legal principles. For the purpose of this submission we will not be distracted by the issue of

the relevance and reliability of some of the valuation provisions of accounting standards – but these are clearly of significance to our directors, who are not convinced as to their unqualified merit. It is not credible that any additional complexity would further assist our directors and shareholders.

It is in relation to disclosure that we have the greatest objection. On a broad interpretation we have four interested shareholders and they are all actively involved in the business. (On a narrower interpretation we may actually have fewer shareholders.) They currently receive timely information such that the annual accounts prepared as a special purpose financial report are already considered a regulatory necessity. To require preparation of a private report in full compliance with all the public disclosure requirements of accounting standards for shareholders who place no value on the report is Kafkaesque. It also flies in the face of the recent simplification initiatives of the SRS legislation.

To this background we do not support the proposal that our financial report should be regarded as a general purpose financial report. We do support retention of the reporting entity concept and encourage development of the law or accounting standards to reinstate the reporting entity concept to the explicitly recognised status it enjoyed under the previous framework of accounting standards.

The ITC has a follow up question above improvements to remove existing concerns about application of the reporting entity concept. In our view the reporting entity concept is not broken and does not require fixing.

We urge the Board to reconsider the concept of the reporting entity in Australia and, in particular, to reconsider the proposal to require grandfathered Proprietary companies to prepare General Purpose Financial Reports when the only legitimate users value neither the information that results nor the costs involved in compiling useless disclosures.

Alternatively, we understand the Board may have felt that it would be inconsistent to require lodging large proprietary companies to prepare accounts in full conformity with accounting standards without also raising the same imposition on grandfathered companies. This potential inconsistency could equally be addressed by reinstating the explicitly recognised status of the reporting entity in law or accounting standards and permitting lodging companies to apply the reporting entity concept where justifiable.

If you have any queries on this submission or any matters you wish to discuss further, please contact me on (08) 8261 0555.

Yours sincerely



Peter Robertson
Company Secretary & Chief Financial Officer